

03

O N D J F M A M J J A S





## Motivation

**To achieve the possible, you have to attempt the impossible.** What seemed inconceivable yesterday is often the key to success tomorrow. A company that wants to stay on top also has to be judged by how it motivates its people to push back limits and push forward ideas. This quarterly report highlights some of the ways we build motivation. More on page 4.

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Accounting at ThyssenKrupp AG is in accordance with US GAAP.

### ThyssenKrupp in the 3rd quarter – still holding up well

The 3rd quarter of fiscal 2002/2003 continued to be impacted by the weak state of the world economy. Sales and orders slipped. The Group's income before taxes and minority interest in the 3rd fiscal quarter was €221 million, compared with €316 million a year earlier.

The highlights for the 3rd quarter and the first nine months of fiscal 2002/2003 were as follows:

- Order intake in the reporting quarter was €9.1 billion, 4% lower than the year-earlier period. Orders in the first nine months of 2002/2003 were €27.2 billion, 1% lower than a year earlier.
- Sales in the 3rd quarter were €8.9 billion, 8% down from the prior-year quarter. Sales in the first nine months were €26.8 billion, likewise 1% lower than a year earlier.
- EBITDA in the 3rd quarter was €645 million, 18% lower than the previous year; in the first nine months EBITDA was €1,924 million, 4% higher than a year earlier.
- 3rd quarter earnings before taxes and minority interest were €221 million, compared with €316 million a year earlier. The prior-year quarter benefited from profits on the sale of activities in the Automotive and Technologies segments in the total amount of €47 million and particularly high income from the fair value measurement of foreign currency positions and derivatives in the amount of €42 million. In the first nine months earnings before taxes and minority interest were €612 million, €172 million more than a year earlier.
- Basic earnings per share were €0.42 in the 3rd quarter, compared with €0.39 a year earlier.
- Normalized earnings per share amounted to €0.23, compared with €0.31 a year earlier.
- The Group's net financial payables amounted to €4.9 billion at June 30, 2003. Despite the dividend payment and the repurchase of shares for a total price of approximately €0.4 billion, they increased only €126 million against September 30, 2002. Compared with June 30, 2002, the Group's financial debt was lowered by €1.4 billion.

There was still no brightening of the economic picture in the 3rd quarter of fiscal 2002/2003. Due to declining orders in key sectors, a rapid improvement in the situation is not expected. Assuming no further deterioration in the world economic parameters at least in the short term, we aim to achieve normalized earnings before taxes of €700 million in the 2002/2003 fiscal year.

Should the weakening trends continue in the coming months, especially in the key auto, construction and mechanical engineering industries, we will review our plan of achieving €1.5 billion EBT in fiscal 2003/2004. Since the plan was presented at the 2002 Annual Stockholders' Meeting, the economic parameters have continuously deteriorated.

## The Group in figures

GROUP		3rd quarter	3rd quarter	9 months	9 months
		ending	ending	ending	ending
	million €	June 30, 2002	June 30, 2003	June 30, 2002	June 30, 2003
Order intake	million €	9,430	9,075	27,527	27,249
Sales	million €	9,599	8,852	26,953	26,769
EBITDA	million €	788	645	1,857	1,924
Income*	million €	316	221	440	612
Net income**	million €	202	214	(52)	426
Basic earnings per share**	€	0.39	0.42	(0.10)	0.83
Normalized earnings per share	€	0.31	0.23	0.31	0.61
Employees (June 30)		189,929	185,381	189,929	185,381

\* before income taxes and minority interest  
\*\* 9 months 2001/2002 restated to reflect adoption of SFAS 142

		Sept. 30, 2002	June 30, 2003
Net financial payables	million €	4,742	4,868
Stockholders' equity	million €	8,287	7,907

SEGMENTS million €	Order intake	Order intake	Sales	Sales	Income*	Income*	Employees	Employees	Employees
	3rd quarter ending June 30, 2002	3rd quarter ending June 30, 2003	3rd quarter ending June 30, 2002	3rd quarter ending June 30, 2003	3rd quarter ending June 30, 2002	3rd quarter ending June 30, 2003	June 30, 2002	Sept. 30, 2002	June 30, 2003
Steel	3,071	2,853	3,095	3,035	121	124	50,044	50,184	48,793
Automotive	1,821	1,502	1,682	1,534	77	58	37,984	38,425	37,010
Elevator	881	830	879	816	86	81	28,198	28,768	29,701
Technologies	1,372	1,453	1,458	1,183	78	1	32,827	32,781	29,980
Materials	2,178	2,241	2,377	2,262	35	27	13,719	13,743	13,610
Serv	622	668	621	575	6	(2)	25,747	25,932	24,841
Real Estate	76	77	76	77	17	12	743	745	740
Corporate	8	4	8	4	(103)	(74)	667	676	706
Consolidation	(599)	(553)	(597)	(634)	(1)	(6)			
<b>Group</b>	<b>9,430</b>	<b>9,075</b>	<b>9,599</b>	<b>8,852</b>	<b>316</b>	<b>221</b>	<b>189,929</b>	<b>191,254</b>	<b>185,381</b>

\* before income taxes and minority interest



FUTURE VALUE  
Motivation

The profit is in the purchase. In most companies, purchasing is already optimized to such an extent that there's seemingly no room for further improvement. But for André-Thorsten Hebel and his team, this was the motivation to take a whole new look at the subject – with amazing success.

ThyssenKrupp

“Nothing is so good it  
can't be made better.”

André-Thorsten Hebel, winner, with his team,  
of the ThyssenKrupp best Award 2003



**CAN THYSSENKRUPP SIMPLIFY ITS PURCHASING AND AT THE SAME TIME CUT PROCUREMENT COSTS?** Yes, if supply needs are put out to tender on the internet and met among other things by an auction system. But before something like that actually works, a lot of problems have to be overcome. André-Thorsten Hebel and his team took up the challenge with a project at ThyssenKrupp Stahl AG as part of the Group-wide efficiency enhancement program ThyssenKrupp best. Motivated for success, within two years they set up an internet-based tendering and auction system that is already leading to cost savings and boasts around 17,000 supplier hits per month. The next step is Group-wide implementation of the system. Now the team has posted another success, winning first prize in the ThyssenKrupp best Award competition. Staged for the first time in 2003, the competition recognizes outstanding project successes and serves as additional motivation not only to think the seemingly impossible but to make it happen.

### Economic environment

The global economy has performed disappointingly in the year to date. A sustainable recovery in world economic activity has failed to materialize. The growth forecasts of leading economic institutes have been continuously scaled back and the predicted upswing keeps being postponed further into the future.

In many of the industrialized countries the stagnation persisted. By contrast, the economy in most of the emerging markets continued to expand, with the Asian countries in particular showing high economic growth. Venezuela apart, the economic situation in South America also improved. Most of the Central and Eastern European countries recorded robust growth.

In the USA, economic activity in the 1st half of 2003 was very subdued. Demand was propped up by private consumption but capital spending in particular remained weak. In Japan, exports have now joined domestic demand in falling away.

In the euro zone, GDP stagnated in the 1st half of 2003. Spending on buildings and equipment declined, as did exports, impacted by the strong appreciation of the euro. In Germany, the economic situation is similar. Low consumer demand, subdued investment and weak export growth resulted in a stagnating German economy.

The sectors of importance to ThyssenKrupp mostly weakened:

- The international steel market profited from China's unbroken growth momentum in the 1st half. While world crude steel production from January through June 2003 increased by 8% from a year earlier to 475 million metric tons, Chinese steel output expanded by 21%. In the NAFTA region and the European Union, production increased respectively by 4% and 2%. Thanks to a positive trend up to and including May 2003, German steel output was almost 3% higher. Orders have weakened considerably in the last few months. In the 2nd quarter 2003, new orders slumped by 15% compared with a year earlier. The demand weakness in the EU and rising imports due not least to the strong euro have increased supply and price pressure in Germany and Western Europe; at the same time, export opportunities are limited for exchange rate reasons. World stainless steel production expanded by 8% to 10.7 million metric tons in the 1st half, but in Europe there are clear signs of weakening in the consumer-related areas.

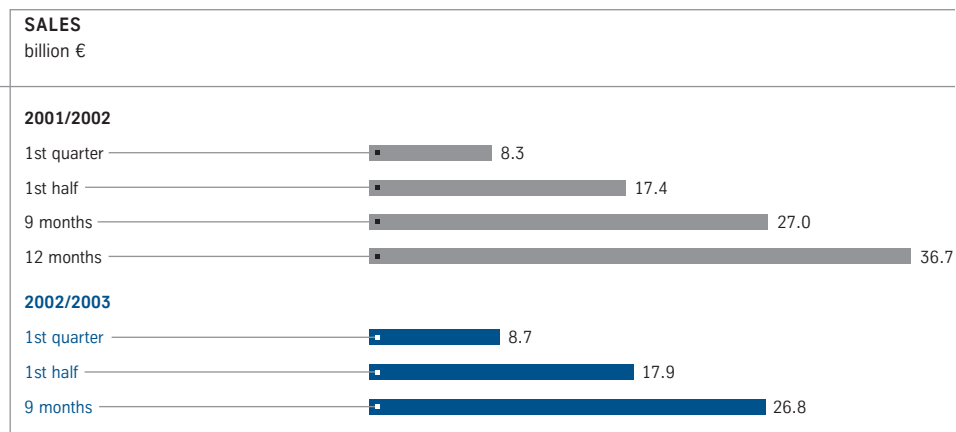
- The international automobile market lost momentum in the 1st half of 2003. In North America, production was cut back in the face of declining new car sales. In Brazil, the vehicle market recovered further. In Western Europe, on the other hand, new car registrations slipped. Despite slightly lower new registrations on the domestic market, German vehicle manufacturers held their production at year-earlier levels thanks to higher exports and inventory building.
- Capital spending remained very subdued worldwide. In the USA, demand for machine tools in particular weakened further. Output by the German engineering industry was slightly lower than a year earlier; new orders slipped mainly as a result of weak domestic investment.
- The situation in the German construction industry deteriorated further. Both construction output and new orders have been below last year's depressed levels in the year to date. In the USA, too, commercial building activity declined. By contrast, the countries of Central and Eastern Europe recorded growth.

## Business situation

### Sales and order intake

The difficult economic environment continued to impact ThyssenKrupp's performance in the 3rd quarter 2002/2003. Sales and order intake were lower than the year-earlier quarter. However, for exchange rate reasons order intake was slightly higher than the year before.

Order intake in the reporting quarter was €9.1 billion, 4% lower than a year earlier. New orders were down at Steel, Automotive and Elevator, while Technologies, Materials and Serv recorded higher demand.



The Group's sales in the 3rd quarter were €8.9 billion, down 8% from a year earlier. All the segments were hit by the decline; sales at Technologies in particular were well below the year-earlier level.

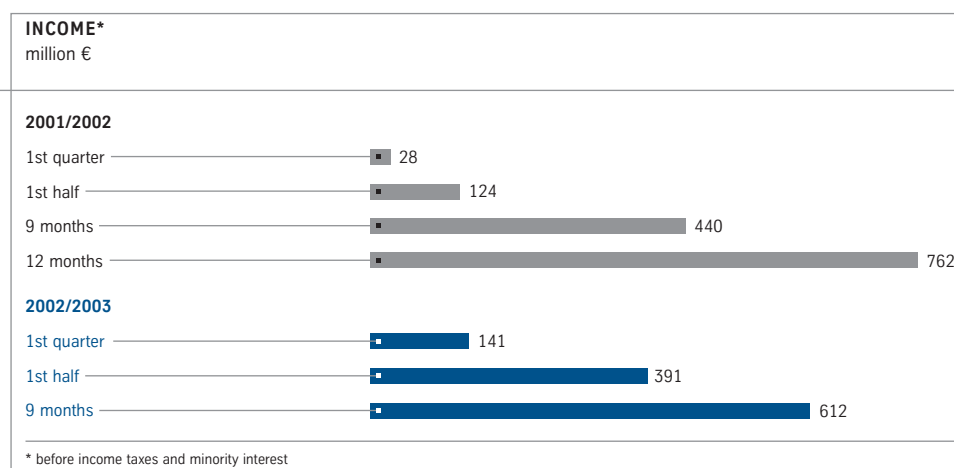
In the reporting quarter, ThyssenKrupp AG repurchased 16.9 million of its own shares (around 3.29% of the capital stock) from IFIC Holding AG, Essen, for a total price of approximately €406 million. The market price at the time of the purchase was around €171 million. The shareholding of IFIC Holding AG, whose shares are indirectly owned by the Islamic Republic of Iran, in ThyssenKrupp AG thus decreased from 7.79% to below 5%. The Group will initially hold the shares and intends to sell them in the medium term subject to market conditions.

The repurchase is in accordance with Art. 71 par. 1 No. 1 Stock Corporation Act (AktG) to avert serious imminent harm to the company. As a result, threatened restrictions, based on relevant US legislation, on market access for ThyssenKrupp subsidiaries in the USA will be avoided, averting serious economic damage to the Group's business in the USA.

The purchase cost of the shares has no impact on pre-tax income but reduces stockholders' equity by the full amount. The difference versus the market price is tax deductible. More details on the accounting impact of the share repurchase can be found in the comments on earnings on page 9 and in the interim financial statements from page 32.

### Earnings

In the 3rd quarter of fiscal year 2002/2003, ThyssenKrupp achieved earnings before taxes and minority interest of €221 million, €95 million less than the year before. In the reporting period the main negative factor was the fall in profit at Technologies as a result of increased order costs for the Transrapid Shanghai project. The year-earlier quarter benefited from profits on the sale of activities in the Automotive and Technologies segments in the total amount of €47 million and particularly high income from the fair value measurement of foreign currency positions and derivatives in the amount of €42 million. Without these two effects, earnings for the quarter remained level with the year before. No significant profits or losses were made on the sale of activities. The share repurchase did not impact earnings.

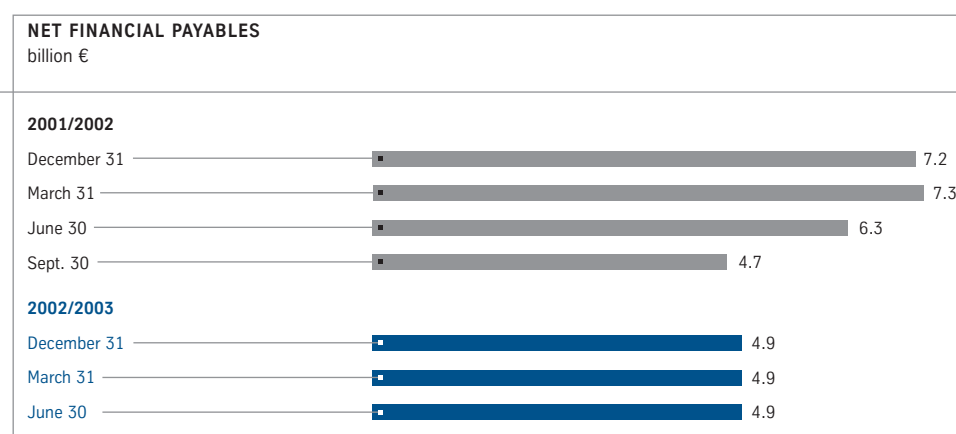


The main pillar of earnings, the Steel segment, reported a profit in line with the prior-year quarter. Carbon Steel improved significantly, while Stainless Steel and Special Materials slipped back. Taking into consideration the disposal gains in the previous year, Automotive's earnings were down slightly as a result of less favorable currency relativities, in particular with regard to the us dollar and Brazilian real. Despite a drop in income from the North American activities caused by the exchange rate, Elevator's earnings were virtually level with the previous year. Technologies' contribution to earnings was slightly positive. While the prior-year figure includes a high disposal gain, in the reporting period increased project costs for the Transrapid Shanghai and continued losses in the Metal Cutting business weighed down earnings considerably. Despite the unfavorable business climate, Materials reported positive income roughly level with the year before. As a result of the weak cyclical situation and restructuring costs, Serv incurred a small loss. The Real Estate business reported a lower profit than the year before due to increased maintenance expenditure. Earnings at Corporate improved thanks to reduced interest expense.

After deducting taxes and minority interest, ThyssenKrupp achieved a 3rd quarter profit of €214 million, €12 million higher than the year-earlier quarter. Basic earnings per share moved from €0.39 in the year-earlier quarter to €0.42 in the 3rd quarter 2002/2003. Eliminating the effect of the partial tax deductibility of the payments for the share repurchase in the amount of €96 million, normalized earnings per share are €0.23, a decrease of €0.08 per share compared with the year-earlier quarter.

### Net financial payables and capital expenditures

The Group's net financial payables at June 30, 2003 were €4.9 billion, €126 million higher than at September 30, 2002. The increase due to the dividend payment in the 2nd quarter and the share repurchase for a total price of approximately €406 million in the 3rd quarter was partially offset by the appreciation of the euro versus the us dollar and the deconsolidation of sold companies. Compared with June 30, 2002, the Group's net financial payables were €1.4 billion lower.



Capital expenditures in the 3rd quarter of fiscal 2002/2003 totaled €374 million, 10% more than a year earlier. €285 million was invested in property, plant and equipment and intangible assets, with the remaining €89 million used for the acquisition of businesses, shareholdings and other financial assets.

**Employees**

ThyssenKrupp had 185,381 employees worldwide on June 30, 2003, a decrease of 5,873 or 3.1% compared with the end of the last fiscal year. While the number of employees increased slightly at Elevator, it decreased particularly at Technologies, but also at Steel, Automotive and Serv.

The headcount decreased in Germany by 3.4% to 99,362 and outside Germany by 2.7% to 86,019. At the end of June 2003, 54% of the workforce was employed in Germany, 21% in the rest of Europe and 17% in the NAFTA region.

## Segments

### Steel

STEEL SEGMENT IN FIGURES		3rd quarter ending June 30,		9 months ending June 30,	
		2002	2003	2002	2003
Order intake	million €	3,071	2,853	8,801	9,089
Sales	million €	3,095	3,035	8,646	9,049
Income*	million €	121	124	56	353
Employees (June 30)		50,044	48,793	50,044	48,793

\* before income taxes and minority interest

The business situation in the Steel segment deteriorated in the 3rd quarter 2002/2003. Compared with the prior-year quarter, orders were 7% lower at €2.9 billion and sales 2% down at €3.0 billion. It was no longer possible to run some production facilities at full capacity. However, crude steel output remained high at 4.3 million metric tons.

Orders in the Carbon Steel business unit declined 6% to €1.7 billion. As this market downturn became more pronounced toward the end of the quarter, it had little impact on 3rd quarter sales, which were slightly higher than a year earlier at €1.8 billion. With shipments falling back slightly, the sales growth was entirely due to the revenue improvements achieved in the course of the year. The service center business fared less well, suffering significant sales losses in particular in North America. By contrast, sales of tinplate, medium-wide strip and tailored blanks were above average.

Year-on-year 3rd quarter order intake at Stainless Steel dropped 13% to €898 million. This also impacted sales, which at €977 million were 9% lower than a year earlier. Total shipments were 15% lower than in the corresponding prior-year period, a trend which also affected our core cold-rolled strip products. Continuing weak demand from the aerospace and electrical industries resulted in a significant drop in shipments of nickel-base alloys.

Orders and sales at the Special Materials business unit declined by 1% and 2% respectively in the 3rd fiscal quarter. Sales totaled €388 million. The high share of US dollar-based electrical steel exports had a particularly negative impact.

The Steel segment returned a profit of €124 million in the reporting quarter compared with €121 million a year earlier.

Carbon Steel recorded a profit of €96 million, €33 million higher than in the 3rd quarter 2001/2002. With shipments declining, the earnings improvement is the result of shifts in the product portfolio, an increase in average revenues and the measures already implemented to improve operating performance. The significant price rises for raw materials traded in US dollars – such as coal, coke and ore – were outweighed by the weakening of the dollar. Higher

personnel costs and electricity prices were offset by the cost-cutting measures already realized. The construction elements business in particular was affected by the continued difficult situation in the construction sector. The loss returned by the construction elements unit includes the costs of a plant closure in Dinslaken and the ongoing expense of relocating production and scaling down the administration. The tinplate and tailored blanks activities recorded significant profit increases.

Stainless Steel reported an €18 million drop in year-on-year 3rd quarter profits to €32 million. With revenue levels unchanged, this is mainly due to lower shipments of stainless cold-rolled flat products. The high price levels on our main European markets of Germany and Italy plus the weakness of the us dollar led to increased pressure from imports, forcing our European sites to cut back production toward the end of the quarter. There were price reductions on the markets served by our cold rolling mills in Mexico and China. Stainless Steel is currently drawing up an enhancement program aimed at significantly improving its cost and market position in the next twelve months.

Special Materials recorded a loss of €2 million, compared with an €11 million profit in the prior-year quarter. The figure includes expense of €11 million for restructuring at Edelstahl Witten-Krefeld. Income was down in all areas due to the less favorable product mix. Although improvement programs have been drawn up and are now being implemented, they have not yet been able to offset the increase in costs. At Electrical Steel in particular, this situation led to sustained operating losses.

### Automotive

AUTOMOTIVE SEGMENT IN FIGURES		3rd quarter ending June 30,		9 months ending June 30,	
		2002	2003	2002	2003
Order intake	million €	1,821	1,502	4,862	4,609
Sales	million €	1,682	1,534	4,760	4,627
Income*	million €	77	58	144	125
Employees (June 30)		37,984	37,010	37,984	37,010

\* before income taxes and minority interest

At €1.5 billion, 3rd quarter sales at the Automotive segment were 9% lower than a year earlier. The decline is due in part to continued weak demand on key automobile markets. Sales of new cars slid both in North America and Western Europe. In addition, special factors such as the seven-day strike at eastern German automotive suppliers impacted negatively on call-off orders from individual automakers. Sales were hit in particular by the strengthening of the euro against the us dollar and the Brazilian real; eliminating exchange rate effects, sales were higher than a year earlier.

The weak automobile market and stronger euro impacted sales in all business units, above all Chassis and Body. The Powertrain business unit profited from significant growth in systems business and crankshafts. In July 2003 ThyssenKrupp Automotive acquired the French supplier Sofedit, further strengthening its position in the French market for body and chassis stampings and assemblies.

The Automotive segment generated a profit of €58 million in the reporting period, €19 million less than the year before. Eliminating from the prior-year figure the disposal gains of €11 million from the sale of the non-automotive casting activities, operating income decreased by only €8 million as a result of the less favorable exchange rates.

Profits at the Chassis business unit were level with the year before. The effects of the restructuring and cost-reduction measures were almost completely offset by declining demand in some sectors. At the Body business unit, profits were significantly lower than a year earlier despite a distinct improvement against the negative 2nd quarter earnings. The noticeable rise in pension and health care expenditure in the USA was not fully offset by the effects of the restructuring and cost-reduction measures. The biggest contribution to earnings came once again from the Powertrain business unit, though its profit was lower than the year before. Although earnings improvements were again achieved in local currencies, the weaker US dollar and Brazilian real led to a lower profit translated into euros.

## Elevator

ELEVATOR SEGMENT IN FIGURES		3rd quarter ending June 30,		9 months ending June 30,	
		2002	2003	2002	2003
Order intake	million €	881	830	2,811	2,620
Sales	million €	879	816	2,593	2,448
Income*	million €	86	81	224	245
Employees (June 30)		28,198	29,701	28,198	29,701

\* before income taxes and minority interest

While the continuing weakness of the construction sector impacted Elevator's new installations business, the service and modernization activities continued to perform encouragingly. The strengthening of the euro led to a 6% year-on-year reduction in 3rd quarter orders to €830 million, while sales were down 7% at €816 million. Eliminating exchange rate effects, both sales and order intake were higher than the comparable prior-year quarter.

The Germany/Austria/Switzerland business unit achieved significant sales growth, boosted by the inclusion of Tepper Aufzüge and a considerable improvement in Austrian business. The France/Benelux business unit held up well in a hard-fought market and maintained steady sales. Despite negative exchange rate effects, in particular the strong depreciation of the Brazilian real, sales in the Spain/Portugal/Latin America business unit were almost level with a year earlier. This was mainly thanks to the partial billing of major projects such as the Madrid airport and metro orders. The weakening of the us dollar was the primary reason behind the sharp drop in sales at the North America/Australia business unit. However, there was also a decline at operating level, where strong modernization business was unable to fully offset weaker new installations business. Activities were expanded in China, while the acquisition of the Korean DongYang group will significantly strengthen the segment's market position in Asia.

Business in the Passenger Boarding Bridges unit picked up following the receipt of a major order. The crisis in the aviation industry further impacted business in particular in the USA. The Accessibility business unit's sales fell only just short of the prior-year quarter.

At €81 million, 3rd quarter earnings in the Elevator segment were €5 million down from the comparable prior-year period.

Year on year, the Germany/Austria/Switzerland business unit achieved a substantial improvement in earnings despite the renewed decline in demand for new installations brought about by the continued weakness of the construction sector. This success was mainly due to the completion of reorganization measures and efficiency enhancements achieved at the plants. Profits in the France/Benelux business unit were impacted by ongoing restructurings and fell from the high prior-year level. By contrast, income was up at the Spain/Portugal/Latin America business unit. Measured in us dollars, profits at the North America/Australia business unit remained roughly steady. However, the 20% drop in the value of the dollar resulted in lower earnings on a euro basis. Earnings in the Other Countries business unit remain positive and stable. The Passenger Boarding Bridges business unit continued to feel the effects of the depressed aerospace industry and recorded a loss similar to the poor prior-year figure. By contrast, the Accessibility business unit managed a significant year-on-year improvement in its 3rd quarter profit.

## Technologies

TECHNOLOGIES SEGMENT IN FIGURES		3rd quarter ending June 30,		9 months ending June 30,	
		2002	2003	2002	2003
Order intake	million €	1,372	1,453	4,021	3,859
Sales	million €	1,458	1,183	4,110	3,882
Income*	million €	78	1	67	12
Employees (June 30)		32,827	29,980	32,827	29,980

\* before income taxes and minority interest

3rd quarter 2002/2003 order intake in the Technologies segment was €1.5 billion, a 6% improvement versus the prior-year quarter. This growth was attributable to strong orders in Plant Technology, where Uhde won a major €450 million order to build a fertilizer complex in Saudi Arabia. In Production Systems, the weak global auto industry and a continued reluctance to invest led to a significant drop in new orders, in particular in the USA. Marine has not yet been able to realize planned merchant and naval shipbuilding projects. Mechanical Engineering's orders were slightly lower than a year earlier due to the depressed construction industry.

Sales at Technologies declined 19% to €1.2 billion in the 3rd fiscal quarter. The main reasons for the drop in sales at Production Systems were the sustained downturn in systems business for machine tools and a further fall in demand in the key German and us markets. Plant Technology and Marine both recorded lower sales, mainly project-related; however, cumulative sales for the first 9 months of the fiscal year were higher than a year earlier. Mechanical Engineering was unable to match the business volume of the prior-year quarter due to the disposal of Berco Bautechnik.

In Shanghai, the Transrapid project is progressing on schedule. During trial operations, a problem was identified with the cable winding on the long-stator motor. In close consultation with the Chinese customer it was decided to replace the cables. The timetable will not be affected by these measures, and commercial operation is planned to commence in early 2004.

In Germany, the North Rhine-Westphalian premier announced on June 27 that the Metrorapid line between Dortmund and Düsseldorf would not be built. By contrast, Munich has signaled its intent to speed up realization of the airport link there. The possibility of bringing forward the manufacture of stator packs and a first vehicle is currently being looked into with a view to plugging some of the employment gaps at ThyssenKrupp Transrapid.

ThyssenKrupp Technologies reported a profit of €1 million for the period, following 3rd quarter earnings of €78 million a year earlier. The main factors behind this significant decline in profits are the €36 million gain on the disposal of Berco Bautechnik, which boosted earnings in the prior-year quarter, and the increased project costs for the Transrapid Shanghai order in the reporting quarter.

Production Systems made a loss on a level with the prior-year quarter due to a continuing decline in demand for machine tools and ongoing restructurings. By contrast, as in the 3rd quarter of the previous year, Plant Technology returned a two-digit profit. Profits at Marine were down from the prior year as a result of lower sales. Mechanical Engineering made a loss following a profit the previous year. Alongside non-recurring effects such as the disposal of Berco Bautechnik in the prior year and higher expense for the Transrapid project in Shanghai, earnings were impacted above all by the loss in the turbine components business. The construction-related activities of Mechanical Engineering recorded a small profit and the large-diameter bearing business once again returned a substantial profit for the quarter.

### Materials

MATERIALS SEGMENT IN FIGURES		3rd quarter ending June 30,		9 months ending June 30,	
		2002	2003	2002	2003
Order intake	million €	2,178	2,241	6,655	6,754
Sales	million €	2,377	2,262	6,525	6,652
Income*	million €	35	27	40	67
Employees (June 30)		13,719	13,610	13,719	13,610

\* before income taxes and minority interest

The Materials segment achieved sales of €2.3 billion in the 3rd quarter 2002/2003, down 5% from the comparable prior-year quarter. Prices came under considerable pressure in a hard-fought market. The warehousing business in particular was unable to pass on price increases from manufacturers to customers in full.

Only the MaterialsServices Europe business unit achieved sales growth. Business in Eastern Europe continued to grow due to the unit's strong market position and continued lively demand. Sales at MaterialsServices North America and Special Products were lower than in the prior-year quarter, due in the case of MaterialsServices North America largely to the weakening of the us dollar against the euro.

Materials generated a profit of €27 million in the 3rd quarter 2002/2003, €8 million less than a year earlier.

Despite the weak market environment as well as necessary restructuring expense and value adjustments, earnings at the MaterialsServices Europe and MaterialsServices North America business units remained positive, although they fell short of the prior-year quarter. The Special Products business unit achieved a significant improvement in income versus the same year-earlier quarter and made the biggest contribution to segment earnings. All business units thus returned better 9-month results than the previous year.

**Serv**

SERV SEGMENT IN FIGURES		3rd quarter ending June 30,		9 months ending June 30,	
		2002	2003	2002	2003
Order intake	million €	622	668	1,920	1,839
Sales	million €	621	575	1,807	1,738
Income*	million €	6	(2)	35	0
Employees (June 30)		25,747	24,841	25,747	24,841

\* before income taxes and minority interest

Serv achieved sales of €575 million in the 3rd quarter, a drop of 7% from the prior-year period primarily due to the weak economic situation. Demand was lower in the construction sector, while industrial customers delayed necessary modernization work and maintenance orders.

In this weak market environment, the Industrial Services and Construction Services business units reported a decline in sales. Despite the difficult situation in the IT market, the Information Services business unit held up well, with sales down only slightly from a year earlier. The significant improvement in sales at the Facilities Services business unit is mainly due to growth in the energy contracting business.

The Serv segment reported a loss of €2 million in the 3rd quarter, a drop of €8 million from the prior year. The decline in earnings is attributable exclusively to Industrial Services; despite its lower profit, this business unit still made the biggest contribution to earnings. The industrial scaffold services were impacted in particular by this weakness, as – for the first time after years of constant growth – were the American activities, which were also affected by exchange rate changes. Earnings in Germany were impacted in particular by restructuring expenses. Although last year's restructurings led to an earnings improvement in the Construction Services and Facilities Services business units, both still returned losses. The Information Services business unit continued to report positive earnings and improved significantly on the prior year; the basic Information Systems business in particular has made outstanding progress.

**Real Estate** generated sales of €77 million in the 3rd quarter 2002/2003, a 1% improvement on the prior-year quarter. The biggest contribution to sales was made by the Residential Real Estate business unit. Earnings amounted to €12 million, around one third down from the prior-year figure of €17 million. The decline is due to expected maintenance expense.

**Corporate** includes the Group's head office and the companies not assigned to the individual segments. Corporate reported a loss of €74 million in the 3rd quarter of 2002/2003, compared with a loss of €103 million the year before. The improvement is the result of lower interest expense.

**Consolidation** mainly includes the results of intercompany profit elimination.

### ThyssenKrupp best

The Groupwide ThyssenKrupp best program launched in fall 2001 has continued to expand dynamically. 200 new projects were started in the 3rd quarter 2002/2003 to enhance efficiency in all areas of the Group and allow us to work better, faster, more cost-efficiently and with an even greater focus on our customers. At the end of June, the program boasted a total of 1,790 projects, 366 of which were already successfully completed. To provide an added incentive to all employees involved in ThyssenKrupp best, the first ThyssenKrupp best Award contest was staged in early 2003. All segments as well as the Real Estate business entered 19 successfully completed ThyssenKrupp projects in this contest, which will become an annual event. Four of these projects were awarded prizes.

First prize went to a team from ThyssenKrupp Stahl AG, Duisburg, from the Steel segment. The project group developed an internet-based request for quotes system which has made a major contribution to reducing purchase prices for input materials and services on a lasting basis and speeding up the procurement process.

Second prize was awarded to a project group from ThyssenKrupp Presta AG in Liechtenstein, a company in the Automotive segment. The system they developed for recording and avoiding overdue receivables has significantly reduced the level of capital employed.

Two projects tied for third prize. A team from Dortmund-based Rothe Erde GmbH, part of the Technologies segment, improved the heat treatment parameters for ring production, allowing a reduction of both cycle times and manufacturing costs. Seamless rolled rings are key components of many industrial applications, in particular in turbines, hydraulic motors and wind turbines.

The other third prize winner was a group from AIN Plastics in Michigan/USA, a company in the Materials segment. Their project was aimed at increasing the company's sales and market share and giving it a stable market position as the third-biggest supplier of plastic profiles in North America. To this end, the team developed and successfully implemented a strategy for market entry in six additional US states.

### Corporate governance

ThyssenKrupp AG complies with all the recommendations of the government commission on the German Corporate Governance Code, including the amendments to the Code resolved by the commission on May 21, 2003 which came into effect on June 30, 2003 with their publication by the Federal Ministry of Justice in the electronic version of the Federal Gazette (Bundesanzeiger).

The changes resolved by the government commission mainly relate to the area of executive compensation. Several points of the corresponding Code section were specified and expanded. For example, individualized disclosure of both Executive Board and Supervisory Board compensation is now not only a suggestion, but a recommendation of the Code.

ThyssenKrupp already disclosed the compensation of each member of the Executive Board and Supervisory Board, broken down into the different components, in its 2001/2002 Annual Report.

On August 11, 2003, the Executive and Supervisory Boards of ThyssenKrupp AG published an updated declaration of conformity stating ThyssenKrupp's compliance with all the Code's recommendations, including the recent amendments.

In addition, we also comply with most of the suggestions included in the May 21, 2003 version of the Code. The only exception is that ThyssenKrupp is not planning to introduce staggered periods of office for the stockholder representatives in the Supervisory Board.

Further details of corporate governance at ThyssenKrupp can be found on our Company's website at [www.thyssenkrupp.com](http://www.thyssenkrupp.com).

## Outlook

There was still no brightening of the economic picture in the 3rd quarter of fiscal 2002/2003. Due to declining orders in key sectors, a rapid improvement in the situation is not expected. Assuming no further deterioration in the world economic parameters at least in the short term, we aim to achieve normalized earnings before taxes of €700 million in the 2002/2003 fiscal year.

Should the weakening trends continue in the coming months, especially in the key auto, construction and mechanical engineering industries, we will review our plan of achieving €1.5 billion EBT in fiscal 2003/2004. Since the plan was presented at the 2002 Annual Stockholders' Meeting, the economic parameters have continuously deteriorated.

ThyssenKrupp will continue to pursue its strategy of focusing within the areas of Steel, Capital Goods and Services and developing the segments through active portfolio management, organic growth and a stronger service focus. We will continue to target productivity improvements of 2% to 3% per year. The third element aimed at increasing our value is the ThyssenKrupp best efficiency enhancement program.

To further improve our portfolio and increase the value of ThyssenKrupp, we plan to dispose of 33 non-strategic holdings with a total workforce of around 30,000. These holdings represent sales of some €7 billion and overall generate only break-even earnings.

At the beginning of the new fiscal year, the Materials and Serv segments will be combined to form "Services". This will strengthen our business with customer-centric process services.

Our medium-term goal is to achieve total sales of €40 to 46 billion through organic growth and selective strategic acquisitions.

## Condensed consolidated statements of income

million €, earnings per share in €	Note	3rd quarter ending June 30, 2002	3rd quarter ending June 30, 2003	9 months ending June 30, 2002*	9 months ending June 30, 2003
Net sales	(10)	9,599	8,852	26,953	26,769
Cost of sales		(7,791)	(7,206)	(22,223)	(21,984)
<b>Gross margin</b>		<b>1,808</b>	<b>1,646</b>	<b>4,730</b>	<b>4,785</b>
Selling expenses		(756)	(684)	(2,218)	(2,078)
General and administrative expenses		(654)	(661)	(1,933)	(1,843)
Other operating income		64	78	435	311
Other operating expenses		(114)	(131)	(520)	(442)
Gain/(loss) on the disposal of subsidiaries, net		51	4	56	(4)
<b>Income from operations</b>		<b>399</b>	<b>252</b>	<b>550</b>	<b>729</b>
Financial expense, net		(83)	(31)	(110)	(117)
<b>Income before income taxes, minority interest and cumulative effects of changes in accounting principles</b>	(10)	<b>316</b>	<b>221</b>	<b>440</b>	<b>612</b>
Provisions for income taxes		(95)	2	(131)	(146)
Minority interest		(19)	(9)	(23)	(34)
<b>Income before cumulative effects of changes in accounting principles</b>		<b>202</b>	<b>214</b>	<b>286</b>	<b>432</b>
Cumulative effects of changes in accounting principles (net of tax)	(4)	0	0	(338)*	(6)
<b>Net income/(loss)</b>	(4)	<b>202</b>	<b>214</b>	<b>(52)*</b>	<b>426</b>
<b>Basic earnings per share</b>	(4) (11)	<b>0.39</b>	<b>0.42</b>	<b>(0.10)*</b>	<b>0.83</b>

\* Restated to reflect adoption of SFAS 142

See accompanying notes to the unaudited condensed consolidated financial statements.

## Condensed consolidated balance sheets

ASSETS million €	Note	Sept. 30, 2002	June 30, 2003
Intangible assets, net	(6)	3,691	3,483
Property, plant and equipment, net		11,609	10,975
Financial assets, net		955	954
<b>Fixed assets</b>		<b>16,255</b>	<b>15,412</b>
Inventories		6,001	6,181
Trade accounts receivable, net		5,353	5,167
Other receivables and other assets, net		1,357	1,494
Securities		20	18
Cash and cash equivalents		921	926
<b>Operating assets</b>		<b>13,652</b>	<b>13,786</b>
<b>Deferred income taxes</b>		<b>1,003</b>	<b>963</b>
<b>Prepaid expenses and deferred charges</b>		<b>250</b>	<b>232</b>
<b>Assets held for sale</b>	(2)	<b>0</b>	<b>155</b>
<b>Total assets</b>		<b>31,160</b>	<b>30,548</b>

STOCKHOLDERS' EQUITY AND LIABILITIES million €	Note	Sept. 30, 2002	June 30, 2003
Capital stock		1,317	1,317
Additional paid in capital		4,684	4,684
Retained earnings		2,484	2,704
Accumulated other comprehensive income		(198)	(392)
Treasury stock		0	(406)
<b>Total Stockholders' Equity</b>	(7)	<b>8,287</b>	<b>7,907</b>
<b>Minority interest</b>		<b>297</b>	<b>321</b>
Accrued pension and similar obligations		7,065	6,910
Other accrued liabilities		3,066	2,920
<b>Accrued liabilities</b>		<b>10,131</b>	<b>9,830</b>
Financial payables		5,683	5,816
Trade accounts payable		3,128	2,977
Other payables		3,013	3,013
<b>Payables</b>		<b>11,824</b>	<b>11,806</b>
<b>Deferred income taxes</b>		<b>556</b>	<b>546</b>
<b>Deferred income</b>		<b>65</b>	<b>102</b>
<b>Liabilities associated with assets held for sale</b>	(2)	<b>0</b>	<b>36</b>
<b>Total Stockholders' Equity and Liabilities</b>		<b>31,160</b>	<b>30,548</b>

See accompanying notes to the unaudited condensed consolidated financial statements.

## Condensed consolidated statements of cash flows

million €	9 months ending June 30, 2002*	9 months ending June 30, 2003
<b>Operating:</b>		
Net income/(loss)	(52)*	426
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:		
Minority interest	23	33
Depreciation, amortization and impairment of fixed assets	1,537*	1,165
Earnings from companies valued at equity, net of dividends received	5	(43)
(Gain)/loss from disposal of assets	(186)	5
Changes in assets and liabilities, net of effects of acquisitions and divestitures:		
- inventories	(25)	(246)
- trade accounts receivable	251	102
- other assets not related to investing or financing activities	(257)*	(256)
- accrued pension and similar obligations	(63)	(19)
- other accrued liabilities	(73)	(37)
- trade accounts payable	(379)	(128)
- other liabilities not related to investing or financing activities	169	88
<b>Net cash provided by operating activities</b>	<b>950</b>	<b>1,090</b>
<b>Investing:</b>		
Purchase of financial assets and businesses	(167)	(216)
Cash acquired from acquisitions	8	15
Capital expenditures for property, plant and equipment	(1,013)	(853)
Capital expenditures for intangible assets	(48)	(42)
Proceeds from the sale of financial assets and businesses	341	104
Cash of disposed businesses	0	(5)
Proceeds from disposals of property, plant and equipment	182	115
Proceeds from disposals of intangible assets	4	13
<b>Net cash used in investing activities</b>	<b>(693)</b>	<b>(869)</b>
<b>Financing:</b>		
Increase/(decrease) of bonds	494	(207)
(Decrease)/increase of payables to financial institutions	(860)	482
Proceeds from notes payable and other loans	151	143
Decrease in bills of exchange	(7)	(8)
Decrease in securities classified as operating assets	3	1
Payments to repurchase shares	0	(406)
Payment of ThyssenKrupp AG dividend from the preceding year	(309)	(206)
Other financing activities	(88)	4
<b>Net cash used in financing activities</b>	<b>(616)</b>	<b>(197)</b>
Effect of exchange rate changes on cash and cash equivalents	(32)	(16)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(391)</b>	<b>8</b>
Cash and cash equivalents at beginning of reporting period	1,234	921
<b>Cash and cash equivalents at end of reporting period</b>	<b>843</b>	<b>929</b>
[Thereof cash and cash equivalents within the disposal group]	[0]	[3]

See accompanying notes to the unaudited condensed consolidated financial statements.

\* Restated to reflect adoption of SFAS 142

## Notes to the interim condensed consolidated financial statements

The accompanying unaudited condensed consolidated financial statements present the operations of ThyssenKrupp AG and its subsidiaries (the "Group"). The condensed consolidated financial statements have been prepared in accordance with United States Generally Accepted Accounting Principles (US GAAP) for interim financial information. Accordingly, these financial statements do not include all of the information and footnotes required by US GAAP for complete financial statements for year end reporting purposes.

The accompanying interim financial statements are unaudited, but reviewed. In the opinion of Management, these unaudited condensed consolidated financial statements include all adjustments of a normal and recurring nature and necessary for a fair presentation of results for interim periods. Results of the nine months ending June 30, 2003, are not necessarily indicative of future results.

The accounting principles and practices as applied correspond in general to those pertaining to the most recent annual consolidated financial statements. A detailed description of these principles is published in the financial report of our annual report 2001/2002.

During the current period, Management revised its assessment concerning the Group's ability to exercise significant influence over the operating and financial policies of a significant investee, RAG Aktiengesellschaft as a result of its inability to obtain timely reviewed US GAAP financial information on a quarterly basis. Accordingly, the Group has discontinued using the equity method of accounting to account for its investment in RAG Aktiengesellschaft. Beginning with the current period, the Group will account for its investment in RAG Aktiengesellschaft using the cost method under which the investment will be recorded at its carrying amount as of the end of the previous period. The effect of this change in estimate on the current and subsequent periods cannot be determined.

Certain reclassifications have been made to the prior period presentation to conform to that of the current period.

In June 2001, the FASB issued SFAS 143, "Accounting for Asset Retirement Obligations". This Statement addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The Group adopted SFAS 143 as of October 01, 2002. However, at the end of the first quarter the Group had not finally completed the first-time implementation of the new Standard, therefore recorded the required transition adjustments in its second quarter interim financial information retrospectively.

In August 2001, the FASB issued SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. SFAS 144 retains the requirement in APB Opinion No. 30 to report separately discontinued operations and extends that reporting from a "segment of a business" to a "component of an entity". The adoption of SFAS 144 as of October 01, 2002 did not have a material impact on the results of operations or the financial position of the Group.

In June 2002, the FASB issued SFAS 146, "Accounting for Costs Associated with Exit or Disposal Activities". SFAS 146 requires entities to recognize costs associated with exit or disposal activities only when liabilities for these costs are incurred (subsequent to a commitment to a plan) rather than at the date of a commitment to an exit or disposal plan. The provisions of SFAS 146 are to be applied

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Basis of presentation



prospectively to exit or disposal activities initiated after December 31, 2002. The adoption of SFAS 146 did not have a material impact on the results of operations or the financial position of the Group.

In November 2002, the FASB issued FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others". The Interpretation clarifies that a guarantor should recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in providing the guarantee. The initial recognition and measurement provisions are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. For the enhanced footnote disclosure requirements see Note (8). The adoption of FIN 45 did not have a material impact on the results of operations or the financial position of the Group.

In December 2002, the FASB issued SFAS 148, "Accounting for Stock-Based Compensation – Transition and Disclosure, an amendment of FASB Statement 123". The Standard does not affect the measurement of the Group's long-term management incentive plan.

In December 2002, the FASB's Emerging Issues Task Force (EITF) published Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables", a final Consensus on when and how to allocate revenue from sales undertakings to deliver more than one product or service. The Consensus is effective prospectively for arrangements entered into in fiscal periods beginning after June 15, 2003. The adoption of EITF Issue No. 00-21 does not have a material impact on the results of operations or the financial position of the Group.

In January 2003, the FASB issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities". By applying the guidance of the Interpretation, the Group will be required to consolidate entities in which its variable interests in the entity are at a level significant enough to be considered the Primary Beneficiary. The Interpretation will be fully applicable to all entities created after January 31, 2003 with enhanced footnote disclosures concerning the Group's current involvement in certain variable interest entities (as defined in the Interpretation) required for financial statements issued after January 31, 2003. The guidance in this Interpretation, other than the disclosures required prior to the effective date, is applicable to preexisting variable interest entities as of the beginning of the first interim or annual reporting period beginning after June 15, 2003. See Note (8) for a description of the Group's current involvement in variable interest entities.

In April 2003, the FASB issued SFAS 149 “Amendment of Statement 133 on Derivative Instruments and Hedging Activities.” This Statement amends the accounting and reporting for derivative instruments under SFAS 133 including certain derivative instruments embedded in other contracts. The Statement also impacts the accounting and reporting for hedging activities under SFAS 133. Generally, this Statement is effective for contracts entered into or modified after June 30, 2003 and should be applied on a prospective basis. The Group is currently determining the impact of the adoption of SFAS 149 on its consolidated financial statements.

In May 2003, the FASB issued FAS 150, “Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity”. This Statement establishes standards for classifying and measuring certain financial instruments with characteristics of both liabilities and equity, for example mandatorily redeemable preferred stock. The Group does not anticipate the adoption of the Standard to have a material impact on its financial reporting.

In May 2003, the EITF reached a consensus on EITF Issue No. 01-8, “Determining Whether an Arrangement Contains a Lease”, which applies prospectively to new or modified arrangements in fiscal periods beginning after May 28, 2003. Guidance in the Consensus requires that both parties to an arrangement determine whether a service or supply contract includes a lease within the scope of FASB Statement No. 13, whereby the right to use property, plant and equipment is conveyed to the purchaser. For relevant arrangements entered into subsequent to fiscal periods beginning after May 28, 2003, the Group does not anticipate the application of the Consensus to have a material impact on its results of operations or its financial position.

During the three months ending June 30, 2003, the Group completed the following transactions:

On April 01, ThyssenKrupp acquired 100% of the shares of Tepper Aufzüge GmbH & Co. KG, located in Münster, Germany (“Tepper”), in the Elevator segment, for a purchase price of €42 million, paid in cash. Tepper is a manufacturer and service provider for elevators and with the acquisition ThyssenKrupp will strengthen its market position in Germany. The results of these operations have been included in the consolidated financial statements since April 01, 2003.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition:

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Acquisitions and  
planned disposals

million €	April 01, 2003
Intangible assets	25
Goodwill arising on the purchase	16
Property, plant and equipment	4
Operating assets	7
Deferred income taxes	1
<b>Total assets acquired</b>	<b>53</b>
Accrued liabilities	3
Payables	4
Deferred income	4
<b>Total liabilities assumed</b>	<b>11</b>
<b>Net assets acquired</b>	<b>42</b>

Substantially all of the intangible assets were assigned to service contracts which are subject to amortization and have a weighted average useful life of approximately 25 years. The preliminary purchase price allocation resulted in goodwill of €16 million which was assigned entirely to the Elevator segment. No goodwill is deductible for tax purposes. Due to immateriality pro forma sales and results are not included.

On April 01, 2003, ThyssenKrupp acquired the remaining 75.5% of the shares of Galmed in the Steel segment for €51 million. The acquisition of the hot dip galvanizer, located in Sagunto (Spain), brings the Group's ownership percentage to 100%. ThyssenKrupp believes that full ownership will give it direct access to the high-growth Spanish automobile market and the acquisition is a further step in the strategy of internationalizing the downstream activities. The results of Galmed have been included in the consolidated financial statements since that date.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition:

million €	April 01, 2003
Goodwill arising on the purchase	9
Property, plant and equipment	30
Operating assets	17
<b>Total assets acquired</b>	<b>56</b>
Payables	2
Deferred income	3
<b>Total liabilities assumed</b>	<b>5</b>
<b>Net assets acquired</b>	<b>51</b>

The final purchase price allocation resulted in goodwill of €9 million which was assigned entirely to the Steel segment. No goodwill is deductible for tax purposes. Due to immateriality pro forma sales and results are not included.

In the Serv segment the formwork and scaffolding activities of the Business Unit Construction Services are to be offered for sale. This transaction is considered to be a “disposal group” in accordance with SFAS 144. The statement requires the assets and liabilities of the disposal group to be disclosed separately in the current reporting period and are presented as “assets held for sale and liabilities associated with assets held for sale” in the balance sheet as a separate line item. The income statement remains unaffected by the separate presentation. Revenues or expenses will continue to be shown as income from continuing operations.

The following table shows the main assets and liabilities of the disposal group.

million €	June 30, 2003
Property, plant and equipment	80
Inventories	25
Trade accounts receivable, net	35
Securities	1
Cash and cash equivalents	3
Other operating assets	4
Deferred income taxes	7
<b>Assets held for sale</b>	<b>155</b>
Accrued liabilities	12
Other payables	18
Deferred income	6
<b>Liabilities associated with assets held for sale</b>	<b>36</b>

The management incentive plans are accounted for under FASB Interpretation No. 28 “Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plans – an interpretation of APB Opinions No. 15 and 25”. Accordingly, a pro-rata liability is accrued for the stock appreciation rights/stock rights issued, reflecting the estimated intrinsic value of the stock appreciation rights/stock rights as of the measurement date. Pursuant to SFAS 123 “Accounting for Stock-Based Compensation” incentive plans with settlement in cash also use the intrinsic value method for calculating the compensation expense prior to the settlement of the award. Therefore the amounts recognized according to APB 25/FIN 28 are the same as those amounts that would be recognized under SFAS 123.

③  
Management incentive  
plans

As of June 30, 2003 the performance hurdles for the fifth installment of the Group's long-term management incentive plan were met. As a result, the Group recorded compensation expense from the plan in the amount of €0.4 million in the 3rd quarter of 2002/2003.

In April 2003, ThyssenKrupp implemented a mid-term incentive plan. The plan is a performance-based model in which the amount of compensation, if any, is not determined until the end of the three-year performance period. All Executive Board members of ThyssenKrupp AG are eligible to participate in the plan. ThyssenKrupp initially granted a total of 123,381 stock rights to the Executive Board members. The number of stock rights will be adjusted at the end of the performance period based on the average economic value added (EVA) over the three-year performance period (fiscal years 2002/2003 to 2004/2005) set against the average EVA over the previous three fiscal years (1999/2000 to 2001/2002). At the end of the performance period the stock rights will be settled in cash based on the average price of ThyssenKrupp stock during the period from October 01 to December 31, 2005.

In the 3rd quarter of 2002/2003, ThyssenKrupp recorded compensation expense of €0.3 million for obligation under this plan.

4

Adjustment of comparative prior period result to reflect adoption of SFAS 142

The Group adopted SFAS 142 "Goodwill and Other Intangible Assets", effective October 01, 2001. The Group completed the transitional goodwill impairment test required by the Standard and recorded the resulting impairment in the fourth quarter of the fiscal year ending September 30, 2002 as a cumulative effect of a change in accounting principle.

Although the implementation requirements of SFAS 142 allow up to one year from the date of adoption to complete the initial impairment test, any resulting impairment write-down is effective as of the first day of the fiscal year in which the Standard is adopted. As a result, the three-month, six-month cumulative and nine-month cumulative interim financial statements for fiscal year 2001/2002, which are presented for comparative purposes, require restatement to reflect the cumulative effect of a change in accounting principles as if the change had been initially recorded as of October 01, 2001.

The €338 million (net of €9 million tax effect) cumulative adjustment was initially recorded in the Group's consolidated financial statements for the year ending September 30, 2002. Further information concerning the adoption of SFAS 142 can be found in those annual consolidated financial statements and the notes included therein.

The effect of the change in accounting on the 9 months ending June 30, 2002 is as follows:

	9 months ending June 30, 2002
<b>Total amount in million €:</b>	
Net income as originally reported	286
Goodwill impairment upon adoption of SFAS 142 recorded as a cumulative effect of a change in accounting principles	(338)
<b>Net loss, as restated</b>	<b>(52)</b>
<b>Earnings per share in €:</b>	
Net income as originally reported	0.56
Goodwill impairment upon adoption of SFAS 142 recorded as a cumulative effect of a change in accounting principles	(0.66)
<b>Net loss, as restated</b>	<b>(0.10)</b>

The accrued liability for asset retirement obligations mainly consists of obligations associated with mining activities and recultivating landfills. In most cases the associated asset is already fully depreciated, so an adjustment to any existing liability resulting from the adoption of SFAS 143 is income-effective and shown as a cumulative effect of change in accounting principles.

As a result of adopting SFAS 143, expense of €14 million (expense of €6 million net of tax) has been recorded as cumulative effect of a change in accounting principles during the 9 months ending June 30, 2003. Included in the €14 million cumulative effect adjustment is €29 million (€21 million net of tax) of income from the first time application of SFAS 143 as of January 01, 2003 by a significant equity method investee.

Had SFAS 143 been applied as of September 30, 2002, September 30, 2001 and October 01, 2000, the impact on the liability recorded, net income and earnings per share would not have been material.

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Accrued liability for asset retirement obligations according to SFAS 143

The change in the accrued liability for asset retirement obligations for the 9 months ending June 30, 2003 is as follows:

million €		<b>Total</b>
<b>Balance as of September 30, 2002</b>		<b>175</b>
Additions		51
Accretion		3
Amounts utilized		(8)
<b>Balance as of June 30, 2003</b>		<b>221</b>

6

Goodwill and other  
intangible assets

Intangible assets of the Group by major classes are as follows:

million €	Gross values	Accumulated	Net values
	June 30, 2003	amortization June 30, 2003	June 30, 2003
Customer base and relationship	22	16	6
Prohibition to compete	1	1	0
Licences and franchises	137	85	52
Patents, copyrights and similar	8	3	5
Service contracts	189	47	142
Other contractual positions	10	7	3
Acquired software and website	275	213	62
Internally developed software and website	39	28	11
<b>Intangible assets subject to amortization</b>	<b>681</b>	<b>400</b>	<b>281</b>

In addition to the above mentioned amortized intangible assets the Group has an unamortized intangible asset resulting from a company name with a net book value of €9 million.

The aggregate amortization expense related to intangible assets for the 9 months ending June 30, 2003, was €66 million. Estimated amortization expense for each of the next five years will be approximately €81 million.

The change in the carrying amount of goodwill (excluding goodwill of equity method investments) for the 9 months ending June 30, 2003, is as follows:

million €	Steel	Automotive	Elevator	Technologies	Materials	Serv	Real Estate	Corporate	Total*
<b>Balance as of September 30, 2002</b>	<b>825</b>	<b>368</b>	<b>1,185</b>	<b>495</b>	<b>216</b>	<b>195</b>	<b>0</b>	<b>14</b>	<b>3,298</b>
Currency changes	(27)	(13)	(130)	(19)	(20)	(4)	0	0	(213)
Acquisitions/(divestitures)	9	0	33	(9)	6	11	0	0	50
Disposals	0	0	0	(1)	0	0	0	0	(1)
<b>Balance as of June 30, 2003</b>	<b>807</b>	<b>355</b>	<b>1,088</b>	<b>466</b>	<b>202</b>	<b>202</b>	<b>0</b>	<b>14</b>	<b>3,134</b>

\* excluding goodwill of equity investments

Furthermore, the intangible asset position in the balance sheet includes advance payments on intangible assets and intangible pension assets in the amount of €59 million.

The development of Stockholders' Equity in the 9 months ending June 30, 2003 is as follows:

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Stockholders' Equity

million € (except number of shares)	Number of shares outstanding	Capital stock	Additional paid in capital	Retained earnings	Accumulated other comprehensive income					Treasury stock	Total
					Cumulative translation adjustment	Available-for-sale securities	Minimum pension liability	Derivative financial instruments			
<b>Balance as of Sept. 30, 2002</b>	<b>514,468,024</b>	<b>1,317</b>	<b>4,684</b>	<b>2,484</b>	<b>32</b>	<b>1</b>	<b>(180)</b>	<b>(51)</b>	<b>0</b>	<b>8,287</b>	
Net income				426						426	
Other comprehensive income					(191)	0	(16)	13	0	(194)	
<b>Total comprehensive income</b>										<b>232</b>	
Dividend payment				(206)						(206)	
Treasury stock purchased	(16,921,243)								(406)	(406)	
Treasury stock issued	170									0	
<b>Balance as of June 30, 2003</b>	<b>497,546,951</b>	<b>1,317</b>	<b>4,684</b>	<b>2,704</b>	<b>(159)</b>	<b>1</b>	<b>(196)</b>	<b>(38)</b>	<b>(406)</b>	<b>7,907</b>	

From total comprehensive income in the current reporting period, €164 million was generated within the 3rd quarter of 2002/2003. Total comprehensive income for the previous year nine month period ending June 30, 2002 was €46 million, €(184) million thereof being allocable to the 3rd quarter of 2001/2002.

In May 2003, ThyssenKrupp AG repurchased 16,921,243 of its own no-par-value bearer shares of common stock from IFIC Holding AG, which represents €43,318,382.08, or approximately 3.29%, of the capital stock of ThyssenKrupp AG. The purchase price per share was €24, resulting in a total purchase price of approximately €406 million.

The purpose of this share repurchase was to reduce the IFIC Holding AG shareholding in ThyssenKrupp AG from 7.79% to less than 5%. IFIC Holding AG is indirectly owned by the Islamic Republic of Iran. The repurchase of shares from the government of Iran by ThyssenKrupp AG was necessary to avert severe and imminent damage to the Company (Art. 71 par. 1 No. 1 Stock Corporation Act (AktG)):

- Under us legislation (10 U.S.C. Art. 2327 and related provisions), the us ministry of defense and its departments are prohibited from awarding contracts to companies when a foreign government owns or controls a significant, greater than 5%, share of the company and that government has been determined by the Secretary of State to be of a country that has repeatedly provided support for acts of terrorism. Companies concerned are disqualified from bidding for government contracts and placed on a public list issued by the u.s. General Services Administration, Office of Acquisition Policy (Listing).
- US companies, specifically automobile manufacturers, typically demand assurances from suppliers that they are unconditionally qualified to conclude government contracts. The legislation applies to contracts greater than USD 100,000 and subcontracts greater than USD 25,000.
- In view of the over 5% interest of IFIC Holding AG in ThyssenKrupp AG, at the end of April 2003, the Office of the United States Undersecretary of Defense announced that it would place the Group on the public list unless the interest held by IFIC Holding AG was reduced and a deadline of only a few days was set for confirmation of compliance. Previously, ThyssenKrupp AG had been requested to ensure that ThyssenKrupp subsidiaries would not bid for contracts above the legislative limits. All efforts by ThyssenKrupp AG to obtain a waiver or an amendment to the us legislation had failed and alternative, less drastic measures were not available. Through the repurchase of ThyssenKrupp AG shares from IFIC Holding AG, the imminent public listing and subsequent serious damage to ThyssenKrupp AG's business activities in the USA were avoided.

- ThyssenKrupp AG and its subsidiaries generate sales of just under USD 8 billion in the USA.

A Listing would have jeopardized a significant portion of these sales – with a corresponding negative impact on income and jobs. This determination is based on damage as a result of the infringement/termination of existing contracts as well as consequential damage due to the loss of future contracts and damage to the Group's reputation.

As no additional assets were acquired as part of the share purchase transaction and the minority shareholder did not enter into any further agreements with ThyssenKrupp AG, the cost of the shares acquired was accounted for as a reduction of stockholders' equity in accordance with FASB Technical Bulletin No. 85-6.

### Guarantees

ThyssenKrupp AG and its segment lead companies as well as – in individual cases – its subsidiaries have issued guarantees in favor of customers or lenders. The following table shows obligations under guarantees where the principal debtor is not a consolidated Group company.

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Contingencies including pending lawsuits and claims for damages

million €	Maximum potential amount of future payments as of June 30, 2003	Accrued liability as of June 30, 2003
Advance payment bonds	21	0
Performance bonds	75	0
Third party credit guarantee	80	0
Letters of comfort	132	0
Residual value guarantees	58	0
Other guarantees	129	0
<b>Total</b>	<b>495</b>	<b>0</b>

The terms of those guarantees depend on the type of guarantee and may range from three months to ten years (e.g. rental payment guarantees).

The basis for possible payments under the guarantees is always the non-performance of the primary obligor under a contractual agreement, e.g. late delivery, delivery of non-conforming goods under a contract, non-performance with respect to the warranted quality or default under a loan agreement.

All guarantees issued by ThyssenKrupp AG or the segment lead companies are based on requests from third parties who are subject to recourse provisions in case of default. In some cases we, as the guarantor, have received cash under a collateralization agreement to partially cover a potential loss from our performance under such guarantee.

Furthermore, our consolidated subsidiaries are responsible to their customers for the proper functioning of the goods sold (product warranty). The method for calculating accrued liabilities for such product warranties depends on the type of goods sold. In the case of single-item production the provisions for accrued liabilities are calculated for each product using the full production costs. An accrued liability will be recognized only if it is probable that a claim will be asserted. By contrast, the provisions for product warranties in serial or large-scale production entities are calculated using a percentage of total sales or are based on average historical payments from past claims. In addition, our subsidiaries are obligated to compensate their clients for damages that arise from the use of the products sold (product defect). If possible, risks from product liabilities are covered by insurance contracts. For all other cases an accrued liability is recognized.

The change in the accrued liability for product warranties and product defects for the 9 months ending June 30, 2003 is as follows:

million €	
	<b>Total</b>
<b>Balance as of September 30, 2002</b>	<b>321</b>
Currency changes	(19)
Acquisitions/(divestitures)	(9)
Amounts utilized	(61)
Changes from product warranties issued in 9 months of 2002/2003	82
Changes from prior period product warranties and product defects issued	(27)
<b>Balance as of June 30, 2003</b>	<b>287</b>

#### **Variable interest entities**

ThyssenKrupp has leased facilities used in the production of coke and transloading of coal from entities which have characteristics of variable interest entities as described in the FASB Interpretation No. 46, "Consolidation of Variable Interest Entities". The application of the rules of this Interpretation to the companies acting as operators of these facilities will result in the consolidation of these variable interest entities as of July 01, 2003. The consolidation of these companies will not have a material effect on the results of operations or the financial position of the Group. In addition, upon review of

the owner companies of the leased facilities, that are also variable interest entities under the scope of the Interpretation, it was determined that the Group is not the primary beneficiary of those companies and consequently they will not be included in the consolidated financial statements. The obligations of the Group existing under the leasing and purchasing agreements will continue to be considered future minimum lease payments from operating lease in the Notes to the Group's consolidated financial statements and will amount to approximately €70 million in the next fiscal year. The Group's theoretical maximum exposure to loss from both facilities amounts to approximately €58 million and results from the residual value guarantees for the assets at the end of the lease and purchasing agreements, respectively. There are no other variable interest entities within the Group.

### Pending lawsuits and claims for damages

The Group is involved in pending and threatened litigation in connection with the sale of certain companies, which may lead to partial repayment of purchase price or to the award of damages. In addition, damage claims may be payable to customers and subcontractors under performance contracts. Certain of these claims have proven unfounded or have expired under the statute of limitations. The Group believes, based upon consultation with relevant legal counsel, that the ultimate outcome of these pending and threatened lawsuits will not result in a material impact on the Group's financial condition or results of operations.

Regarding the remaining contingencies, including pending litigations, there have been no significant changes.

The carrying values and fair market values of the Group's derivative financial instruments were as follows:

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Derivative financial  
instruments

million €	Carrying value Sept. 30, 2002	Fair value Sept. 30, 2002	Carrying value June 30, 2003	Fair value June 30, 2003
<b>Derivative financial instruments</b>				
Assets				
Foreign currency derivatives incl. embedded derivatives	115	115	228	228
Commodity derivatives	4	4	10	10
Liabilities				
Foreign currency derivatives incl. embedded derivatives	58	58	146	146
Interest rate derivatives	86	86	73	73
Commodity derivatives	3	3	5	5
<b>Total</b>	<b>266</b>	<b>266</b>	<b>462</b>	<b>462</b>

⑩

Segment reporting

Segment information for the 3rd quarter ending June 30, 2002 and June 30, 2003 as well as for the 9 months ending June 30, 2002 and June 30, 2003 respectively:

million €	Steel	Automotive	Elevator	Technologies	Materials	Serv	Real Estate	Corporate	Consolidation	Group
<b>3rd quarter ending June 30, 2002</b>										
External sales	2,686	1,678	877	1,451	2,289	539	71	8	0	<b>9,599</b>
Internal sales within the Group	409	4	2	7	88	82	5	0	(597)	<b>0</b>
Total sales	3,095	1,682	879	1,458	2,377	621	76	8	(597)	<b>9,599</b>
Income/(loss) before income taxes and minority interest	121	77	86	78	35	6	17	(103)	(1)	<b>316</b>
<b>3rd quarter ending June 30, 2003</b>										
External sales	2,617	1,526	816	1,165	2,158	497	70	3	0	<b>8,852</b>
Internal sales within the Group	418	8	0	18	104	78	7	1	(634)	<b>0</b>
Total sales	3,035	1,534	816	1,183	2,262	575	77	4	(634)	<b>8,852</b>
Income/(loss) before income taxes and minority interest	124	58	81	1	27	(2)	12	(74)	(6)	<b>221</b>
<b>9 months ending June 30, 2002</b>										
External sales	7,440	4,734	2,589	4,083	6,270	1,570	229	38	0	<b>26,953</b>
Internal sales within the Group	1,206	26	4	27	255	237	14	1	(1,770)	<b>0</b>
Total sales	8,646	4,760	2,593	4,110	6,525	1,807	243	39	(1,770)	<b>26,953</b>
Income/(loss) before income taxes and minority interest	56	144	224	67	40	35	64	(193)	3	<b>440</b>
<b>9 months ending June 30, 2003</b>										
External sales	7,796	4,604	2,443	3,811	6,364	1,507	224	20	0	<b>26,769</b>
Internal sales within the Group	1,253	23	5	71	288	231	15	1	(1,887)	<b>0</b>
Total sales	9,049	4,627	2,448	3,882	6,652	1,738	239	21	(1,887)	<b>26,769</b>
Income/(loss) before income taxes and minority interest	353	125	245	12	67	0	53	(233)	(10)	<b>612</b>

Basic earnings per share is computed as follows:

(11)

Earnings per share

	3rd quarter ending June 30, 2002		3rd quarter ending June 30, 2003	
	Total amount in million €	Earnings per share in €	Total amount in million €	Earnings per share in €
<b>Numerator:</b>				
Income before changes in accounting principles (net of tax)	202	0.39	214	0.42
Cumulative effect of changes in accounting principles (net of tax)	0	0.00	0	0.00
Net income	202	<b>0.39</b>	214	<b>0.42</b>
<b>Denominator:</b>				
Weighted average shares	514,489,044		504,148,285	

	9 months ending June 30, 2002		9 months ending June 30, 2003	
	Total amount in million €	Earnings per share in €	Total amount in million €	Earnings per share in €
<b>Numerator:</b>				
Income before changes in accounting principles (net of tax)	286	0.56	432	0.84
Cumulative effect of changes in accounting principles (net of tax)	(338)	(0.66)	(6)	(0.01)
Net income/(loss)	(52)	<b>(0.10)</b>	426	<b>0.83</b>
<b>Denominator:</b>				
Weighted average shares	514,489,044		511,042,124	

### Relevant number of common shares for the determination of earnings per share

According to SFAS 128.8 earnings per share shall be computed by dividing income available to common stockholders (numerator) by the weighted-average number of common shares outstanding (denominator) during the period. Shares issued during the period and shares reacquired during the period shall be weighted for the portion of the period that they were outstanding.

The weighted-average number of outstanding shares was reduced by the reacquisition of shares on May 6 2003. The reacquisition of shares held in treasury for settlement with outside shareholders of the former Thyssen Industrie AG who have not yet converted their shares but continue to be entitled to dividends, does not affect the determination of the weighted-average number of shares. As of June 30 2003, there are 20,850 (2002: 22,560) shares held in treasury included in the weighted-average number.

There were no dilutive securities in the periods presented.

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Subsequent events

In July 2003, ThyssenKrupp Elevator AG signed a purchase agreement acquiring 75% of the common stock and voting rights of the Korean DongYang group. DongYang is the second largest elevator producer and provider of elevator related services in South Korea. DongYang employs approximately 1,000 employees and recently achieved sales of approximately €193 million. The consummation of the purchase is subject to the approval of the regulatory authorities. It is expected to take place at the beginning of the next fiscal year.

In July 2003, a 100% acquisition of the company Sofedit s.A. was realized in the Automotive segment. The volume of this transaction amounted to €155 million. The Sofedit group employs about 4,000 employees mainly in France, and recently recorded sales of almost €600 million which resulted mainly from supplying manufacturers of the French car industry. The activities of the Sofedit group will be consolidated in the Group's financial statements beginning on July 01, 2003.

In July 2003, the North American formwork and scaffolding activities of the Business Unit Construction Services in the Serv segment were sold. The sale of the European formwork and scaffolding activities to an international financial investor is expected to take place shortly. In total, the sales are expected to result in a significant loss.



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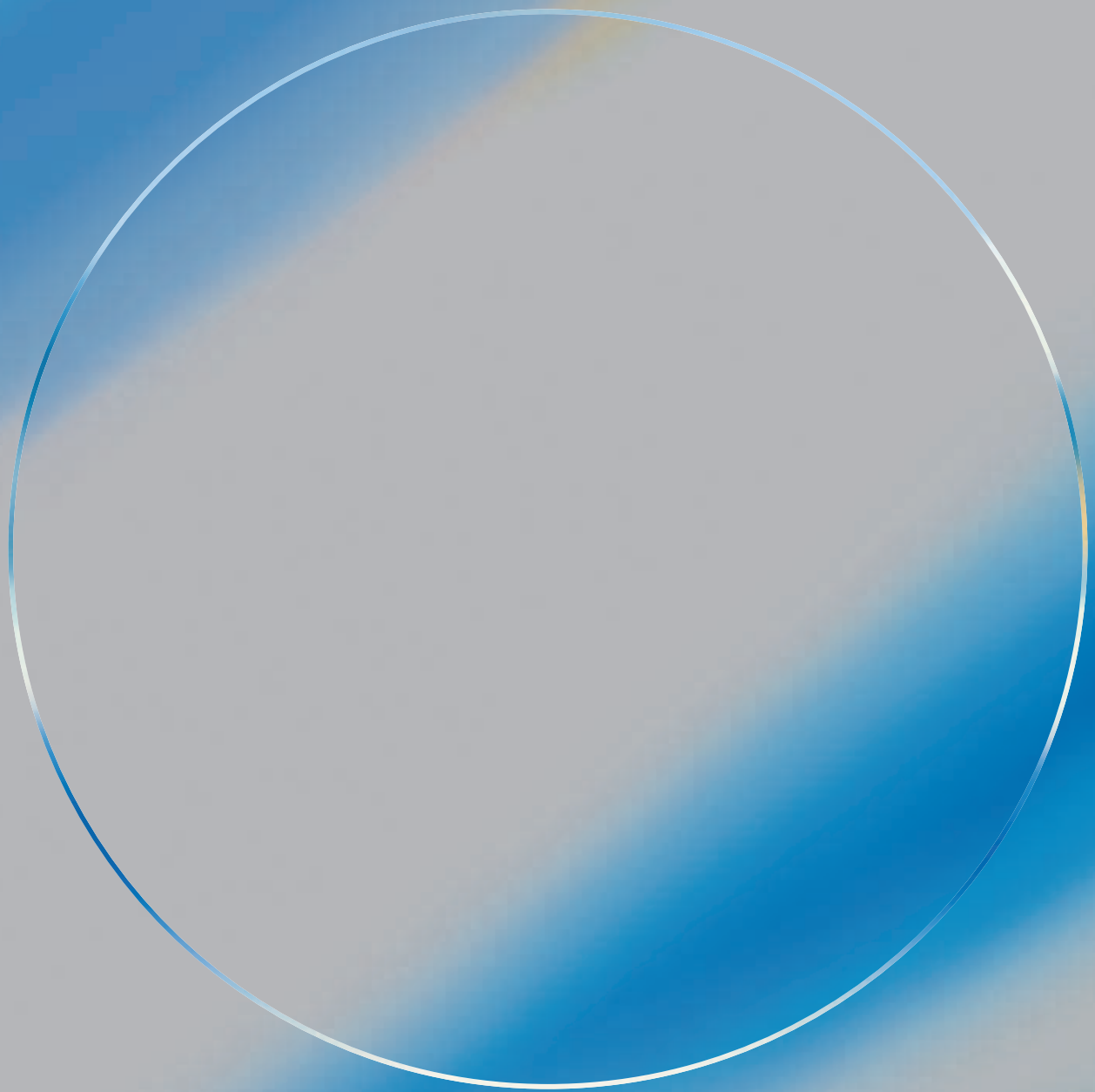
This report is available in German and English; both versions can be downloaded from the internet at <http://www.thyssenkrupp.com>. An interactive online version of the report is also available on our website.

On request, we would be pleased to send you further copies of this report and additional information on the ThyssenKrupp Group free of charge.

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